



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 1/13/2006

GAIN Report Number: AS6002

Australia

Agricultural Situation

Ag Down Under, Issue 1

2006

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Report Highlights:

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1]
[AS]

FAS/Canberra is pleased to release the first issue of **Ag Down Under**, a biweekly update of Australian agricultural news and events of interest to U.S. exporters.

Inquiry Into AWB Oil-for-Food Scandal to Begin January 16: Beginning next week, AWB faces an inquiry into its involvement in the Iraq Oil-for-Food scandal to determine if its actions violated Australian law. Prime Minister Howard called for the investigation in November 2005 following the report of an independent United Nations inquiry into the Oil-for-Food program that found that the approximately \$220 million the AWB allegedly paid for transport services in Iraq was actually funneled to the Iraqi government. Since the scandal, calls for dismantling of AWB's monopoly powers have grown, but Agriculture Minister McGauran has stated the government will not examine the issue until a review scheduled for 2010.

MP Considers Bill to Abolish AWB Export Veto Power: Western Australian Federal Member of Parliament Wilson Tuckey is considering introducing a bill that would abolish the Australian Wheat Board's (AWB) power to veto shipments from rival companies. The proposed action follows AWB's veto of Co-operative Bulk Handling (CBH) Group's second application to the Wheat Export Authority (WEA) to supply 100,000 tons of Western Australian wheat to Interflour mills in Indonesia, Malaysia and Vietnam. CBH has a 50 per cent stake in Interflour. CBH chief executive Imre Mencshelyi says the action costs Western Australian growers \$10/ton and that company will lobby to have AWB's veto right dissolved. Agriculture Minister Peter McGauran expressed support for AWB's decision and questioned the claim of a loss of \$10/ton for Western Australian growers.

Agriculture Minister Outlines 2006 Priorities: Agriculture Minister McGauran has stated horticulture is his top priority in 2006. In an interview with *The Weekly Times* Mr. McGauran said the industry has to develop a "more competitive edge" against imports and expand new export markets. McGauran pledged to take a personal role in further changes to country-of-origin labeling, and to urge supermarkets to promote local products. The minister stated he will also address other priority issues, including: stepping into the public debate on genetically modified crops, in an effort to pressure states into ending their moratoria; pushing for tougher laws to give farmers better protection against animal welfare activists; increasing awareness of the importance of intensive livestock industries and live exports; and accelerating national water reform, especially the expansion of water trading.

Trade Minister To Seek Increased Access to U.S. Sugar Market: Trade Minister Mark Vaile has announced that he would ask for consideration of increased access for U.S. sugar when he meets with USTR Portman in Washington in March. National Farmers Federation President Peter Corish welcomed Mr. Vaile's decision to raise the issue, noting, "These agreements are designed to be dynamic..." However, Mr. Corish further noted it would be very difficult to get movement on sugar.

Australia Reacts to the Resumption of U.S. Beef to Japan: Australian beef exporters anticipate retaining a larger share of the Japanese market following the re-entry of U.S. beef (compared with pre-2003 levels), however demand for Australian beef is expected to ease. Major marketing initiatives, in part funded by mandatory cattle transaction levies, are planned for the Japanese market. Industry sources see the resumption of U.S. trade as an important step toward more consistent trading conditions. (See Gain Report AS 5049 for further information.)

Sweeping Reform of Health and Nutrition Claims Proposed: Food Standards Australia New Zealand (FSANZ) is proposing sweeping reforms of the regulations governing nutrition and health claims. At present, the use of health claims on food labels is prohibited, except by specific approval. Australian industry views this limitation as a constraint to innovation

and one that limits consumer choice. The proposed new measures identify two levels of claims: 1) General Health Claims: including content and health claims that do not refer to serious disease; and 2) High-level Health Claims which tout the benefits of an ingredient on a serious illness, such as heart disease. Full details on the proposed standard are available at www.foodstandards.gov.au. Comments on the proposed standard must be received by February 22, 2006. (See GAIN Report AS 5046 for further information.)

Comment Period for NZ Apple IRA Closes on March 31, 2006: On December 1, 2005 Biosecurity Australia issued a revised draft import risk analysis report (IRA) assessing an application from New Zealand to export apples to Australia. The extended comment period for the draft IRA closes on March 30, 2006. Establishing market access for U.S. apples to Australia is a high priority for USDA. In response to USDA's request in 2000 that Australia initiate an IRA for U.S. apples, the Government of Australia has stated that it first intends to issue the final IRA for New Zealand apples, and access for U.S. apples would then be addressed through a modification of the New Zealand import policy. (See Gain Report AS 5044 for further information.)

Mark Your Calendars--*Fine Food 2006, Melbourne, Australia Sept. 11-14:* Interested in the Australian market? Don't miss Australia's largest food trade show, *Fine Food 2006*, in Melbourne, September 11-14, 2006. *Fine Food* attracts 30,000 'trade only' buyers and decision makers, including representatives of the food importing, distribution, retail, and catering industries. A large proportion of Australia's major food processors and importers actually exhibit at the show - an ideal opportunity to "walk" the show and meet potential buyers one-on-one.

To assist U.S. exporters interested in this market, FAS/Canberra is organizing exhibition space at *Fine Food 2006*. We are currently recruiting U.S. companies to participate with us in the show. In partnership with the U.S. Commercial Service in Australia, we will be offering additional options for participants, including appointments with prospective distributors before, during or after the show. Contact Lindy Crothers at AgCanberra@usda.gov for further information.

Lapse of Protocol Halts Australian Stone Fruit Exports to Taiwan: Press reports grower outrage that the Australian government has failed to re-negotiate a protocol with Taiwan to allow the continuation of stone fruit exports, a market valued at approximately A\$15 million. The existing protocol expired January 1, but an agreement has not been reached, causing some exporters to call for compensation from the government over lost sales. The revised protocol would address the risk of the Queensland fruit fly in imports. Agriculture Minister McGuaran expressed support for Biosecurity Australia officials who have been working on the issue, but conceded that they need to develop a "better sense of commercial reality" in their activities.

Drought Recovery Yields Improved Crop Outlook: Above average seasonal conditions that began in July 2005 continued through December 2005 and have benefited Australian grain production. Greatly improved yields are expected for winter cereals (wheat and barley), which are currently being harvested. Australian wheat production for 2005/06 is forecast at 23.9 MMT, which would be the fourth largest crop on record. Production of summer crop (sorghum) will likely increase due to increases in projected planted area. The bulk of the sorghum crop is sown and will be harvested from March to June 2006. (See GAIN Report AS5050 for further information.)

Animal ID Expands to Include Sheep and Goats: Effective January 1, 2006 Australia's National Livestock Identification Scheme (NLIS) has been expanded to include sheep and goats. The system became mandatory for cattle, both dairy and beef, July 1, 2005, with the

exception of Queensland and the Northern Territory, which will not achieve full compliance until 2007.

Recent Reports from FAS/Canberra:

The reports listed below can all be downloaded from the FAS website at:

<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

Report Number	Title of Report	Date
5041	Australian Federal Court Ends Pork Legal Challenge	11/21/05
5042	Citrus Annual	11/23/05
5043	Cotton Quarterly Update	11/29/05
5044	Australia Issues Draft IRA Report for Apples from New Zealand	12/02/05
5045	Top Food Trends in Australia	12/05/05
5046	Nutrition & Health Claims Draft Standard Issued for Comment	12/08/05
5047	New Glycemic Index Food Label System	12/08/05
5048	New Country of Origin Labeling Standard Becomes Law	12/08/05
5049	Australia Prepares for Return of U.S. Beef to Japan	12/15/05
5050	Grain Quarterly Update	12/16/05
5051	Cotton Outlook 2006/07	12/21/05
6001	Fresh Deciduous Fruit Annual	12/28/05